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March 12, 2004

VIA HAND DELIVERY

Deborah Tate, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37219

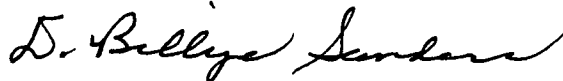
Re: Audit of Chattanooga Gas Company Actual Cost Adjustment
(ACA) Filing from the Plan Year Ended June 30, 2003
Docket Number 03-00516

Dear Chairman Tate:

This letter comes in response to the Staff Data Request, dated February 25, 2004, in the above referenced docket. Responses 3 and 4 of the Data Request were previously filed. Responses 1 and 2 are attached.

Please contact me if you have any questions.

Sincerely,



D. Billye Sanders
Attorney for Chattanooga Gas Company

DBS/hmd
Enclosures
cc: Archie Hickerson

Chattanooga Gas Company
Response to TRA Staff's February 25, 2004 Data Request
Docket No. 03-00516
Audit of Chattanooga Gas Company Actual Cost Adjustment (ACA) filing for the plan year
ended June 30, 2003

1. Provide copies of un-redacted invoices that support Sequent's invoice each month of the audit

Response:

The information contained in the requested documents is highly confidential and propriety. Copies of the requested documents will be made available for review by the TRA staff at the offices of our attorneys, Waller Lansden Dortch & Davis, 511 Union Street, 27th Floor, Nashville, Tennessee 37219. A staff member may call our attorney, D Billye Sanders, at 615-850-8951 to schedule a time during normal business hours to review the documents.

Chattanooga Gas Company
Response to TRA Staff's February 25, 2004 Data Request
Docket No 03-00516
Audit of Chattanooga Gas Company Actual Cost Adjustment (ACA) filing for the plan
year ended June 30, 2003

2. How does Sequent determine how to invoice Chattanooga, i.e. which purchases are ultimately delivered to Chattanooga Gas?

Response:

Upon reaching agreement as to CGC's requirements, Sequent determines the lowest cost path to deliver gas, based on load factors, weather, pipeline constraints, and storage levels, among others. Sequent procures the required volume of gas at Inside FERC index pricing for baseload, month-long purchases and at Gas Daily index pricing for daily purchases at locations along that determined path. The gas is scheduled into a pool, which holds all of Sequent's transactions, whether they be proprietary or on behalf of CGC. These index purchases enable CGC to effectively purchase gas at market prices without taking credit risk.